



Ad Val Advisor

*The Newsletter
for Wyoming
Property Tax
Appraisers*

Inside:

- ◆ Note from the Director
- ◆ Local IT Support
- ◆ Kurt "who?"
- ◆ Words from the Administrator
- ◆ About "VPNs"
- ◆ Mass vs. Fee Appraisal

Property Tax Division Newsletter**Editor: Geir Solvang****Herschler Building****122 W. 25th Street****Cheyenne, WY 82002-0110****Director****Edmund J. Schmidt****Staff****Wade Hall, Administrator****David Chapman, CAMA/GIS Manager****Ken Uhrich, Appraisal Services Manager****Phone (307) 777-5200****FAX (307) 777-7527****Internet Address:****<http://revenue.state.wy.us>**

Thinking

"Outside the Box"

'You remember the "Who ate my Cheese?" presentation that CCI gave at last year's Assessors' Convention in Thermopolis? The theory was that smart mice (people) adapt and find new ways to deal with changing circumstances. The folks in the Assessors' offices of Sweetwater, Uinta, Lincoln and Sublette Counties are experiencing this first hand and judging from their comments, it hasn't all been a day at the beach. But, they are coping with change and my guess is that ultimately they will say that the conversion was painful but worthwhile. The Property Tax Division staff has been experiencing this for more than a year and now they simply shrug their shoulders and ask, "What's the next problem we need to

fix?" They know there's no turning back.

So, permit me to brag a little about these problem solvers. One of the most problematic CAMA issues presented to me is: "When do we turn off the old mainframe CAMA and go cold turkey with the new?" The professionals from CCI advised me that the sooner each office shuts down the old system and places its full reliance upon CCI, the sooner our Assessor staffs will learn how to use it and place their full faith in it.

Moreover, my staff has advised me that the department is being billed approximately \$3,000 per month per county to leave the mainframe system on. That's nearly \$70,000 per year which we could use for travel, training and other issues. When we did our budget request to the legislature, we did anticipate that we would have to remain connected to the mainframe, but we never considered that some counties might want to leave it on for a year or more. I have learned from some of our pilot counties that they consider it essential to be able to retrieve old data from CLT or WYS for an extended period of time.

So, I am forced to make a decision that will be viewed as smart or stupid, depending upon your perspective. Well, some of my staff in the Property Tax Division bailed me out. Dave Chapman and Jack Rehm were kicking around some ideas with Clyde Barker the other day and came up with a bright idea. Why not have Clyde create a tool (program) to download each counties data onto a disc to save for future reference? The cost to do this is significantly less than

what we would have to pay A & I to maintain the mainframe connection. The data can be given to each county so that they can research old records for several years to come if needed. Sounds rather simple but I can assure you that I was sweating bullets trying to make that painful choice and no one had provided me with an alternative. The guys think they can accomplish this in a few weeks.

Sometimes we are so overwhelmed with our problems that we can't see the forest for the trees. In this instance, my staff came up with a solution and in doing so, saved me from having to make a tough decision. And of course it goes without saying that once again, Clyde Barker has pulled our fat out of the fire. If you get a chance, I hope you'll say thanks to Dave, Jack and Clyde for thinking "outside the box."

Oh yes, and one more thing: Debbie and her Albany County Staff along with help from Dixie Huxtable and Kathy Ball put on a great convention and dinner banquet! They made us all feel welcome and I think our frank discussions will significantly improve communications between DOR and County Assessors.

Edmund J. Schmidt
Director
Department of Revenue

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From the Administrator

In the past few weeks, I've had the opportunity—for both business and pleasure—to travel about this beautiful state of Wyoming. June. Endless vistas of green prairie. Antelope. Stunning mountain vistas with still snow-covered peaks. Snowmelt-swollen creeks and rivers filling reservoirs (yes!). Black, rumbling thunderstorms on a plains evening. Lightning, nature's fireworks. July. Irrigated hay fields ready for cutting. The friendly, but understated wave from the driver of an oncoming pickup. Quiet pine, spruce, and aspen forests. Eagles, bears, moose, elk, deer. Clearing streams. Wily trout. Those deep blue skies. Heat waves streaming upward from a nearly deserted highway stretching, seemingly, to infinity.

While I can make no claim to be a Wyoming native, I am native to the Rocky Mountain West and I have spent my entire life here. As you can tell, I have special feelings for this region (and in a geographical sense, do those politically drawn lines really matter?) that I have called home for all my days. Like many Americans, both Native Americans, and those who came later, I have a special feeling for "The West." The renowned Native American author, scholar, and poet, N. Scott Momaday, expressed that feeling well when he said that the American West "is a place that has to be seen to be believed, and it may have to be believed in order to be seen." I'll let all of you that call this place that we know as Wyoming "home", ponder that statement for a while.

Meanwhile, what does all of this have to do with property taxation? Well, when the westward migration came to Wyoming, it brought massive change to this place. One of the things it also brought with it was property taxation. Since then, Wyoming has changed, often dramatically, and the property tax system has changed over the years as

well. As much as anything, the local Assessor is, in many ways, a reporter. What he or she is reporting are values; values established by market forces for property. And, the use, character, and desirability of that property have changed many times in Wyoming's colorful history. The Assessor has been there to "report" on that for all these many years.

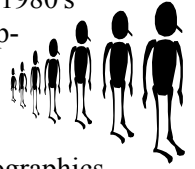
Today, there are many external forces changing Wyoming and influencing the values that the Assessor is obliged to report. Wyoming, like much of the Rocky Mountain West, is caught in a churning vortex of attention, change, and transformation probably not seen for nearly a century. This milieu of forces is by no means even, homogenous, or, in many cases, balanced. Increasing energy prices have brought boom times back to Wyoming oil, gas, and coal fields, along with the communities that support them. Will those same increasing energy prices eventually negatively impact tourism, agriculture, and the communities associated with those industries? Time will tell.

Drought and changing agricultural commodity markets have definitely impacted the agricultural industry and their associated communities at the same time that some agricultural lands have become much more valuable for recreational or second-home residential uses. The long-term effects of that on the Wyoming economy and landscape will be studied for many years to come.

The prolonged period of interest rates hovering around historical lows has led to a protracted national boom in home prices that has upwardly influenced real estate values in most Wyoming communities. Again, the effect may be uneven, but is widespread.



What about population? After remaining relatively stagnant since the last "boom" in the 1980's ended, Wyoming's population is on an upward march. This, too, is uneven by region and by demographics.



We are still creating both boomtowns and ghost towns in Wyoming. The state still seems to be "exporting" its young people and "importing" those of middle age and older. The state also now has a sometimes uneasy mix of those who live in the state to work and those who live in the state to play. Energy industry, agricultural, commerce, government, and service workers now mix with increasing numbers of retirees and part-time residents who make (or have made) their living elsewhere and now choose to live in Wyoming.

Economists, sociologists, and—yes—appraisers will pore over reams of data, statistics, graphs, and reports to try to make sense of all of this. If the appraiser has any advantage over others examining the changing face of Wyoming, it is that the appraiser (at least those involved in assessment) are generally looking immediately backward, reporting on what has already happened. Economists and others are trying to make forecasts for the future based on what they see now, a daunting exercise in these times.

These are interesting times for property tax appraisers. Real estate markets are evolving rapidly. Community demographics are changing more quickly than has been seen in years. Both the number and character of property owners are in transition. And, as we all know, technology marches on; always changing, and changing us. As assessment professionals, we try to make sense out of our part of it. Like "Cowboy Joe" on that bucking bronco on our license plate, we're having a wild ride. One thing's for sure: taxes—and controversy about them—



will continue to be part of the Wyoming landscape, just like those plains, mountains, deserts, rivers, and skies.

Wade W. Hall
Administrator
Property Tax Division

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T Support

Recently, a small team of staff from CCI and the Property Tax Division traveled over 1,300 miles to six counties to perform the IT Walkthrough for the new CAMA system. The trip itself was a very useful way to see what is happening with the county's computer/network systems and to meet the local IT support staff.

During this trip, we finished the initial IT review for Johnson, Hot Springs, Washakie, Big Horn, Park and Teton Counties. Overall, things are looking pretty good for the deployment, but a couple of issues arose that seem to have general interest to all Assessors.

There are several key points regarding the level of IT support within Wyoming's county offices. First, every county is a little different. Many counties have local IT staff. Within this realm, several counties have very experienced and versatile computer support. Other counties have newer, less experienced staffs who are working feverously to bring local services up to an acceptable standard. In both these cases, the county has chosen to invest in employees that service a wide assortment of local IT needs. Overall, this investment in IT staff is oftentimes quite expensive, but critical in the long term.

Many other counties have decided that hiring an IT staff is too cost prohibitive. In many cases, the price the county is willing to pay a computer expert is so low, they were simply unable to hire someone with

the required experience and education. In these cases, these counties have contracted for IT services from third party vendors. While this approach lacks the luxury of having someone on staff, counties are able to share the cost of an expert with other groups. From the contract IT Company, they are able to pay their employees more and to offer training to keep them up-to-date on the latest technologies. However, as with hiring a full time employee, this support can be quite expensive.

How expensive is "expensive" these days? Recently, we heard a story where the county commissioners were willing to pay up to \$15 per hour for IT support. In today's market, it is not uncommon to pay ten times that amount per hour for qualified support. In many cases, the support services come at a much higher price tag. Again, it all depends on what services are being contracted for and who is the contractor.

Finally, we have encountered those counties that have no IT support. Any computer setup or troubleshooting services are performed by the Assessors' staff. Frequently, this support is given to a person who has shown some aptitude with GIS, spreadsheets, etc.

Unfortunately, the task of handling the ever increasing IT demands of even the smallest county quickly exceeds the person's time, training and experience. This is definitely not a criticism of the people who take up the challenge and do their best to fill the services needed. However, there is a significant difference between trying to just make something work and a well thought out and executed IT plan. Oftentimes, a casual user of the technology has little chance to do it all, let alone to do it all correctly and completely.

As the CAMA project moves forward, the various levels of IT support causes the Property Tax Division concern. Collectively, we are pushing out and installing an enormous amount of technology throughout the State. Quite frankly, those counties that have ready access to IT staff are in the best position to support these changes. In many cases, those counties that contract IT services are in excellent shape and will be quite ready to handle any IT issues that might occur down the road.

The real issues will stem from counties that have little or no ongoing IT support. Out of the entire state, this probably represents a little more than ¼ of all the counties. Lack of IT support and erratic funding of IT services have undoubtedly challenged the county staff for some time. With the implementation of the new CAMA system, these issues will come more to the forefront.

So, what will our maintenance and support fees pay for in the county installation? On the hardware side, you will be receiving the gold support package for both workstations and server. The workstations will be covered for a period of three years and the server for five years. Gold service includes next day, on site service. The tablet PC's will also have support, but due to the lack of local support, these units will have to be shipped to be repaired.

In the software environment, the Property Tax Division will be continuing the maintenance and support for any technical questions. In this arena, all service calls will go to CCI and, depending on the nature of the request, maybe referred to companies such as Oracle or ESRI for resolution.

Once you consider the entire support infrastructure that is being put into place as part of this project, there are still areas where the county will not be covered by CCI nor the Property Tax Division. It is in these



areas that the County must find the IT resources to keep things working locally.

This needed support falls into some general areas. While this list is no doubt incomplete, it does reflect the basics:

1. Networking services and security.
2. Nightly backup of data.
3. Disaster recovery of hardware, software and data.
4. Virus protection and removal.
5. Network wiring, to include routers, hubs, firewalls, etc.
6. Performance tuning on Hardware.
7. Applying of hardware upgrades and patches.
8. General file maintenance and management.

Outside of what is listed above, support of the new CAMA system can oftentimes be accomplished through technical support at CCI. CCI has the ability to log on locally to help troubleshoot problems. However, from time to time, CCI and the Division will require someone locally to help resolve an issue. In some circumstances, an IT professional is best suited for this type of support.

The Property Tax Division can help troubleshoot some issues, however as with CCI, we are not in a position to supplant what should more appropriately be handled in the county. Subsequently, for the CAMA project to be successful, every county will eventually need to have some form of IT support on call.

How can we help? The IT Walkthrough is a big step in identifying any issues as we move forward. Upon request, the Property Tax Division stands ready to talk to commissioners on the benefits and needs of securing IT support for the county. CCI is also working diligently to deploy a turnkey solution for the county and their customer support staff is very good about answering most questions and finding solutions to problems.

Beyond these things, nothing truly replaces having an IT support person onsite to help troubleshoot problems and to take care of your entire computer needs.

David Chapman
CAMA/GIS Manager
Property Tax Division

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Quote of the Month

“If automobiles had followed the same development cycle as the computer, a Rolls-Royce would today cost \$100, get a million miles per gallon, and explode once a year, killing everyone inside”

Robert Cringely

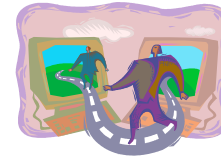
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What is a “VPN?” And why is it important?

As we move forward with the CAMA conversion many of you have been introduced to the term “VPN device” (or commonly referred to as an “edge device” or an “appliance”). As discovered in the IT Walkthroughs completed in cooperation with CCI, the Property Tax Division will be installing a VPN device to ensure security during the data replication process. As many of you are aware, county data will be replicated to the Property Tax Division’s DataMart application on a nightly basis. This will aid the Property Tax Division in better assisting the local county Assessors as well as the taxpayers. During this process a variety of confidential information, including Sales Price and Social Security Numbers could be exposed to hackers and other electronic criminals. The VPN device the Property Tax Division is providing ensures that this data is **absolutely** secure. Consequently, as you can see, this device serves a vital

role as we move forward with the CAMA conversion.

So, what is a “VPN” device? VPN stands for Virtual Priate Network. This device creates what amounts to a “tunnel” between two



locations (i.e. the local county server and the state’s CAMA server), while providing a secure line that only allows data to pass between the two locations. It is also heavily encrypted to prevent hackers from gaining access to the data being passed. The VPN that the State is providing adheres to the strongest industry standards on encryption and authentication, ensuring the best possible security.

In order to properly install and configure this VPN device (and ensure that the county data remains secure), the Property Tax Division requires a dedicated, public IP address (Internet Protocol address). Think of this IP address as the local county server’s “street address” in the internet. This creates the secure connection on the county side of the VPN device. The key to ensuring the security of this connection is to make sure that the IP address is a dedicated IP, meaning, that particular IP address is not used for any other purpose.

Providing the Property Tax Division with this dedicated, public IP address may mean purchasing an additional IP address from your local ISP (Internet Service Provider). However, this should be relatively inexpensive and well worth the expense in terms of the security it will provide.

I hope this information helps to clarify what the VPN device is and what purpose it serves in the new CAMA system. Should you have any further questions concerning the VPN device, please contact the CAMA/GIS/IT section of the Property Tax Division.

David Ray
Appraiser
Property Tax Division

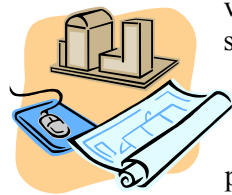
Revisiting Mass and Fee (Single Property) Appraisal

"Mass-appraisal." It's a term we use constantly in the assessment business. Yet, few in the general public know what mass-appraisal means, how it is used, or why it is used. Property Assessment Valuation, 2nd Edition, published by the International Association of Assessing Officers, defines "mass appraisal" as "the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing."¹

Compare the definition above to the definition of "fee" (or "single property") appraisal from the same page: "the valuation of a *particular* [emphasis added] property as of a given date."² Usually, if a member of the general public is familiar with appraisal at all, it is with a fee appraisal. Maybe he or she got an appraisal to get a home loan, or for a refinance. Most property owners will have some experience in their lifetime with a fee appraisal, to be sure. So, when a taxpayer hears the word "appraisal", *fee appraisal* is what he or she will associate with that. This is kind of ironic, in a way, because—while most property owners may "encounter" a fee appraisal a few times in their life—they are affected by mass appraisal every single year (at least in Wyoming). After all, the Assessment Notice the property owner receives is based on the mass appraisal executed by the local County Assessor.

Explaining the difference in mass appraisal and fee appraisal to a property owner can be a trying experience, to say the least. This gets even more confusing in most states (Wyoming included) because, while the Assessor uses mass appraisal techniques to build a valuation model, the law generally requires the Assessor to use fee-type "single property" techniques to defend the value assigned to a particular property when a taxpayer appeals his or her value.

So, how does this all work? Well, we all know that, for most locally-assessed property in Wyoming, the Assessor is charged with establishing "fair market value." (The exception is agricultural land, which is valued based on its productive capability—another whole story.) The Assessor may establish various valuation models to predict



value of classes or subclasses of properties based on the characteristics of those properties. The models may be cost models, market models, income models, or variations thereof; a "market-influenced cost model", for example. Ultimately, those models must be tested for their effectiveness at predicting fair market value. That is most commonly done (both here in Wyoming, and in most other states) by statistically testing how well the valuation models predict value compared to properties that actually sold in arms-length transactions during a specified time period. If the models are proven to be statistically valid, then the model is applied to both sold and unsold properties to estimate value for assessment purposes—a mass appraisal. In both fee and mass appraisals, the appraiser is attempting to predict the probable selling price of a property based on his or her analysis of various data, including information on sold properties.

When it comes to defending the value of a particular property, the Assessor will most likely use a fee-type technique, developing a nearly individual appraisal of the subject property, using, for example, specific comparables to that property (if using sales comparison).

A key point for those involved in the assessment process is this: The appraiser must be able to explain and justify both the mass appraisal models and techniques used to generate the initial value of properties and the fee-type techniques used in an individual property appeal.

Quoting Property Tax Assessment, 2nd Edition:

The Assessor must be able to develop, support, and explain standardized adjustments in a valuation model among use classes, construction types, neighborhoods, and other property groups . . .

Assessors . . . must convince all taxpayers that assessments are fair and all taxing bodies that assessments are at the legal level.

The Assessor needs skills in both mass appraisal and single property appraisal—mass appraisal skills for producing initial values in a revaluation, and single-property skills to defend those values and to appraise exceptional single-purpose properties that do not lend themselves to mass appraisal techniques.³

The opening sentence of "Standard 6: Mass Appraisal, Development and Reporting" of the Uniform Standards of Professional Appraisal Practice, which governs mass appraisal, concisely summarizes the requirement for mass appraisal, "In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to *produce and communicate* [emphasis added] credible mass appraisals."⁴

Many taxpayers will pose the question, "Why not use a fee-type technique when appraising all properties in the county for assessment purposes?" The most direct answer is, of course, expense. Appraising the most "simple" property on a fee-type basis may run several hundred dollars in expense. Obviously, attempting to appraise every parcel in a county on that basis could balloon an Assessor's budget to the millions of dollars, even in

relatively small counties. So, expense is a major reason for choosing mass appraisal techniques for property assessment for tax purposes. Equally important is the need for uniformity. Property Tax Assessment, 2nd Edition states it well:

The most common use of mass appraisal is the equitable and efficient appraisal of all property in a jurisdiction for ad valorem tax purposes—indeed, mass appraisal evolved out of the need for uniformity and consistency in assessment.⁵

Occasionally, a fee appraiser may comment that mass appraisal is not really "appraisal." That, in my opinion, is nonsense. The mass appraiser is as much rendering an opinion of value on property as is a fee appraiser. As to difficulty, I have had several fee appraisers who moved into the assessment world tell me that mass appraisal is, in many ways, more difficult to accomplish than many fee appraisals. Mass appraisal and assessment, in my view, generally requires every bit as much education, experience, skill, and judgment as is required for fee appraisal.

One other thing, most fee appraisers can choose the appraisal assignments that they wish to undertake. The local Assessor, on the other hand, must accept the responsibility for the appraisal of all property that he or she is required to value under statute. Whether the Assessor, staff or outside appraisers may do the work, the Assessor is ultimately held responsible for the appraisal of property for ad valorem taxation that he or she is lawfully required to do within his or her county.

Speaking as a former Assessor, if there is one area where many assessment professionals may be criticized, it is that we have not always adequately communicated information about mass appraisal, and information about the mass appraisals

themselves, to the general public. Admittedly, these are not things that can be communicated in a paragraph or two, or in a two-minute conversation. But, if there is a single reason that we see unnecessary property valuation appeals, unworkable property tax legislation, and general frustration with the property assessment system, it may be the public's general lack of understanding of the appraisal process. We, as assessment professionals, are the people—probably the only people—who can change that. To do that, we must better educate ourselves, our staffs, our elected officials, and our constituents about the appraisal process.

¹International Association of Assessing Officers. 1996. *Property Assessment Valuation, Second Edition*. Chicago: International Association of Assessing Officers. Pg. 285.

²Ibid.

³Ibid, pg. 286.

⁴The Appraisal Foundation. 2005 [updated annually]. *Uniform Standards of Professional Appraisal Practice*. Washington, D.C.: The Appraisal Foundation, Appraisal Standards Board

⁵*Property Assessment Valuation, Second Edition*. Pg. 285.

Wade W. Hall
Administrator
Property Tax Division

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Employee Spotlight

Usually, the Employee Spotlight helps us get to know current or new employees a little better, so we can appreciate them more as we team up in our day-to-day work. However, this month's Employee Spotlight features a guy who, sadly, we will be seeing a lot less of as we head into the future. That guy is Kurt Kremke, and even though he is leaving his post as the Weston County Assessor, we believe it's fitting to feature him in the Employee Spotlight before he says "farewell" on August 26th.

Kurt was hired by the Weston County Assessor's Office as a data entry clerk in November of 1988. As

early as 1989, he was appointed Deputy Assessor - and in 1990, the Weston county citizens voted him into office. Before he started his career in mass appraisal, he worked as a Lab Technician for Omaha Grain Exchange in Omaha, Nebraska, from 1983 to 1987.

When asked about what he enjoyed most about being a County Assessor, Kurt replied that it was working with the public and solving problems that kept the job interesting, and added that he enjoyed all the challenges that came with it. A favorite quote that has helped him as Assessor is: "We are thankful for our critics, those who are reasonable cause us to step back and re-examine our methods, data and conclusions. Those who are unreasonable, teach us patience."

Going back a few years, Kurt graduated with a Bachelor of Arts in Biology and Chemistry from Doane College in Crete NE, in 1983. He also obtained graduate hours towards a Master's Degree at the University of Nebraska in Omaha and Kearney, and received a K-12 teaching endorsement in biology and chemistry.

Kurt was born in Wayne, NE, where his father attended college. His family later moved to Ord, NE, where Kurt spent his childhood. Today, Kurt has a pretty big family of his own; He and his wife, Lori, have four children: Wheaton (18), Bailey (14), Keenan (9), and Amaya (1).

When it comes to leisure activities, Kurt enjoys just about anything that goes on outdoors, including sports activities, hunting and fishing.

Favorite movie: Forest Gump
Favorite Food: Beef

I would like to take this opportunity to thank everyone I have been associated with across the state. There are many individuals who have left a lasting impression and I will take a part of all of you with me.

Kurt Kremke
Weston County Assessor